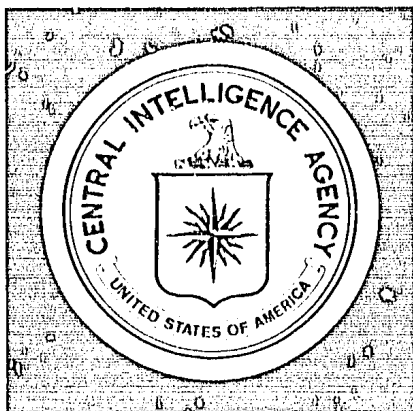


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DIRECTORATE OF  
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ARGENTINA: Juan Peron's initial success in moving toward a broad accord with other political parties is increasing pressure on President Lanusse.

The former dictator has not yet achieved an agreement among Argentina's diverse parties, but during a five-hour meeting Monday night a broad spectrum of political leaders reached some preliminary understandings. This is something that President Lanusse had been trying to do since coming to power in March 1971. Peron's hope is that he will be able to put together a political coalition that will significantly strengthen his hand before sitting down to bargain with President Lanusse.

Peron reportedly believes that to achieve this broad political front, he must obtain the cooperation of the Radical Party, second in size to the Peronists. Radical leader Ricardo Balbin, who like Lanusse was jailed by the Peron government in the 1950s, has demonstrated a desire to reach a working agreement with the Peronists. There are indications, however, that Balbin will work for an agreement with Peron that would also be acceptable to the armed forces.

Popular demonstrations for Peron have tapered off since last Sunday, as President Lanusse assured his generals they would when he agreed to withdraw the tight security ring around Peron. Security has since been tightened again somewhat, but with Peron's approval--to avoid property damage in the neighborhood of Peron's villa. Peron also reportedly has decided to move out of Buenos Aires for a few days to rest, and probably to lessen the chance of violent incidents.

Despite Lanusse's confidence that he can control the situation and obtain Peron's support for his election plan, some elements of the armed forces are becoming increasingly concerned over Peron's continued presence in the country. Lanusse

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retains the backing of his senior generals and seems to face no immediate threat of military action against him, but the growing doubts about his handling of Peron's return could make it more difficult for him to make political compromises.  
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CHILE: The presence of General Prats in the Allende cabinet has highlighted divisive currents within the opposition coalition.

The National Party (PN) and the Christian Democrats (PDC) agree that, contrary to their public propaganda line, the inclusion of the military in the cabinet has been a favorable development for Allende. They are at odds, however, about how to deal with this problem. PN leaders are unimpressed with Interior Minister Prats' assurances that he will not permit illegal actions by either side because Allende is carrying out the policies they dislike by legitimate, constitutional means. They feel that Prats is lending his support to the Popular Unity program for socializing Chile, while some PDC leaders are concerned that they may have witnessed a "Chilean-style" military coup.

The PN is now proposing to the PDC that they join in bringing impeachment charges against Finance Minister Millas, whom they consider an architect of the hard line against private enterprise. As the interior minister traditionally defends charged ministers before the congress, the PN hopes to force Prats into defining his position. The PDC, however, wants to avoid such a move at this time because it believes this would only push the military into greater identification with the government. The Christian Democrats also view press criticism of the military ministers--a PN specialty--as counterproductive.

Prospects for a joint opposition decision on tactics are being complicated by the parties' apparent reluctance to speak frankly to each other about the military issue. Privately, both seem to have concluded that their initial enthusiasm for a military presence in the cabinet was not justified. (SECRET NO FOREIGN DISSEM)

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PANAMA: General Torrijos has confirmed that he is personally committed to a UN Security Council meeting in Panama in March.

Torrijos told a US Embassy official last week that Panama "wanted, needed, and would have" the meeting. He stated that he is aware that the US has problems with the idea, but he branded as "phoney" the argument that unfriendly statements by Cuba and Chile at the meeting would harm Panama's image in the US Congress and make approval of a new canal treaty more difficult.

Torrijos justified the meeting on the basis of his own short-term political requirements. He claimed that public sentiment is developing for some kind of action on canal negotiations and said that thousands of student signatures were being collected on a petition calling for him to act more aggressively. Torrijos suggested that the meeting would provide the illusion of action and serve as a safety valve for emotion that was building in Panama on the issue. Finally, he noted that he could not back away from a meeting now without damaging his domestic standing.

There is no political pressure on him and no public cry for action on a treaty. Instead, Torrijos seems prepared to gamble that the prospect of a meeting would cause the US to be more generous between now and March, and that the publicity generated by a meeting would encourage the US to remain focused on the canal issue after March. The meeting, moreover, represents a unique opportunity for Torrijos to develop a world reputation and enhance the prestige of his government. Panama will be on the Council only until the end of 1973, and as chairman only in March. Torrijos, therefore, will not be easily persuaded to give up this once in a lifetime opportunity.  
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IRAN: The Shah has sacked his ground force commander, General Minbashian, and has replaced him with the former chief of the Gendarmerie, General Gholam Ali Oveisi.

No reasons were cited for the sudden dismissal, but the Shah's ambitious plans for rapidly expanding his army reportedly are in trouble and behind schedule. According to the US defense attaché in Tehran, Minbashian was known for ignoring difficulties encountered in the modernization program and for making optimistic promises to the Shah.

The Shah has arranged the purchase of enough arms to about double the weapons inventory of the army by the mid-1970s. The purchases will add some 800 tanks, more than 400 armored personnel carriers, and about 600 helicopters to the ground forces. The army, however, is short of trained manpower, and unless the Shah can get additional foreign advisers to help in the operation and maintenance of the new gear, much of it is going to remain in storage in Tehran warehouses. (SECRET NO FOREIGN DISSEM)

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OECD: The November meeting of the Economic Policy Committee of the Organization for Economic Cooperation and Development focused on the severe inflation and balance-of-payments problems of some member countries.

The OECD has forecast an overall 6.5-percent growth rate for its members next year, the highest since 1955. Because of fears of further inflation, however, the committee recommended that some countries slow expansion. The UK, West Germany, France, Austria, and the Netherlands have already taken steps to slow wage-price spirals. On the other hand, accelerated expansion was prescribed for Italy, which still has considerable unused industrial capacity.

The committee anticipates only limited improvement next year in balance-of-payments relationships among member countries. It noted in particular the continuing large Japanese surplus and the US deficit on the current account. Several European members--Italy, Belgium, and the Netherlands--have also made little progress toward reducing their large current account surpluses.

Discussion also touched on the recent escalation of controls on capital movements to relieve pressure on currency exchange rates. Many members claim that the OECD officials overestimate the harmful effects of such controls and they were defended as a necessary adjunct to national monetary policy. (CONFIDENTIAL NO FOREIGN DISSEM)

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USSR: The Soviet View of the Conference on  
Security and Cooperation in Europe

The opening today of the multilateral preparatory talks for a Conference on Security and Cooperation in Europe (CSCE) marks a major step toward a goal Moscow set for itself at least 18 years ago. Along the way the Soviets have had to overcome numerous obstacles, including those of their own making, such as the Western reactions to the invasions of Hungary and Czechoslovakia. They have also had to fulfill Western-imposed demands, particularly the Four Power agreement on Berlin and tacit acknowledgment of a connection between CSCE and MBFR. Throughout, their effort has been so persistent that the conference has often seemed an end in itself. In reality, Moscow regards it as marking an intermediate stage in over-all Soviet policy in Europe--the long-sought confirmation of Communist control in the East and a base from which to seek greater influence in the West.

Confirming the Past

Moscow's strong desire for a CSCE is largely rooted in the special historical circumstances that have existed in Europe since World War II. The Soviets are painfully aware that postwar power relationships--in no small measure the results of their hard-won victories--still have not received legal endorsement either at a general peace conference or in a general treaty. Now, however, when there has probably never been less likelihood of a forcible change in European boundaries and with detente increasingly in the air, they perceive in CSCE an opportunity to win formal acceptance of their wartime gains.

The desire to tie up the loose ends of the past is clearly evident in Moscow's emphasis on producing a declaration of principles at a CSCE. The need for such a declaration has been the most consistent

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theme of Moscow's commentary on the conference. The Soviets envision a document stressing such principles as the inviolability of frontiers and non-use of force. Thus, the Kremlin considers that the existing boundaries in Europe and Soviet hegemony in the East--already accepted in West Germany's Ostpolitik treaties--would finally receive general legal endorsement at CSCE. In this way, East Germany's status would be enhanced and prospects for German reunification would become even more remote without prejudicing Moscow's relations with Bonn. Moscow contends that the principles it espouses are obvious and non-controversial, because they have already been incorporated in various bilateral declarations with Western countries. For this reason, Moscow argues in favor of a brief, almost pro-forma CSCE.

#### Looking Ahead

An equally vital concern is Moscow's need to adjust to, and perhaps try to mold, the new order that is emerging in Europe. In particular, the Soviets regard the growing strength and unity of Western Europe, and its enduring attractiveness to the East, as a real threat. Frequent criticisms of "exclusive economic groupings" reflect the fear that further Western integration will restrict Soviet access to the technological and financial assistance that has become increasingly necessary. Moscow also worries that the EC will develop into an independent and effective military power.

The failure of the policy of confrontation in the late 1950s and early 1960s was clearly one of the major factors that led the Soviets to try more peaceful methods of expanding their influence in Western Europe. In addition, the threat perceived from China undoubtedly increased the appeal of detente. As Sino-Soviet tension has increased, Moscow has become more concerned to seek stability on its western flank. Moreover, the Chinese effort

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to improve relations with West European countries and even Peking's limited involvement in East Europe are worrisome to Moscow. The Soviets probably hope that a CSCE will encourage the European countries to turn more toward Moscow and at least to diminish their interest in developing new ties with Peking.

The Kremlin hopes that the conference will foster something of an "all-European consciousness" that will erode the EC and contribute to the withering of NATO. That the Soviets themselves want a larger voice in pan-European affairs is clearly evident in their suggestions that the CSCE set up some sort of permanent machinery--or at least agree to further meetings--so that the conference will not be a one-shot affair. They have not yet advanced any specific organizational proposals. However, Moscow is primarily interested in the opportunities that permanent CSCE bodies would present for competing with the process of integration in Western Europe. Whatever form such bodies take, the Soviets would argue that they become forums for the treatment of all pan-European problems, thus undercutting the EC. The Soviets have also sought to promote Europeanism by supporting the participation of every European state, even the Vatican and other mini-states, at a conference, while resisting suggestions that non-European Mediterranean countries be invited.

From Moscow's point of view, a growth of pan-Europeanism would also bring benefits in the form of further separation of the US from Europe. Originally, the Soviets hinted at the exclusion of the US and Canada from the CSCE, but they later acquiesced in the participation of both. Nevertheless, they may hope to achieve a gradual diminution of US influence in Europe, especially if further detente makes NATO seem less relevant. The Soviets have even used the name of the conference to underscore this point. In the West, it is known as a

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Conference on Security and Cooperation in Europe; the Soviets consistently call it an "All-European Conference."

The Dangers Involved

The tightly controlled Soviet diplomatic and propaganda apparatus was ideally suited to wage Moscow's persistent, plodding campaign for a CSCE against Western opposition and indifference. In the give-and-take of actual negotiations, however, the Soviets may not have the same success in managing events. The CSCE, like the detente strategy in general, presents risks as well as opportunities, and threats to Moscow's control in Eastern Europe are an inevitable concomitant. Just as some Western countries accepted CSCE because they saw it as a chance to pry away barriers to the East, some of their Eastern counterparts may welcome the opening even if they cannot say so publicly. Permanent CSCE institutions could give the West some voice in East European affairs, and the Soviet desire for a declaration of principles could result in formulations that contradict the Brezhnev doctrine; Romania has made no secret of its hope that the declaration will contain just such wording.

Moscow is well aware of these dangers, and has sought to protect its position by stressing the need for greater Bloc unity and coordination as the conference approaches, although its propaganda has consistently deplored the bloc-to-bloc approach. Ironically, from the Western standpoint, the preparations for CSCE could tend to restrict the East Europeans' freedom of movement and strengthen the Bloc institutions, at least in the early stages. By pressing ahead for a CSCE with as much tenacity as they have, the Soviets have indicated their confidence that they can manage the risks it entails.

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### Conclusion

There remain significant differences of opinion between the Soviet Union and the West on what a CSCE should accomplish. Soviet actions probably reflect a belief that nothing can now stop the conference from being held, as tentatively scheduled, in June. As for what may be accomplished, both East and West have too much invested to see the CSCE end in complete failure. This may be especially true for Soviet party chief Brezhnev, who has been in the forefront of those advocating the conference. Nevertheless, the Soviets will prove tough negotiators and will have less difficulty in maintaining a united front with their allies than will the West. If Moscow can maintain its image of being bent on detente throughout the negotiating period, and if the Soviets continue to seek primarily an endorsement of general principles, they probably can expect to gain at least these scaled-down benefits they have so long sought from this kind of conference. (CONFIDENTIAL)

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